



Advising the Congress on Medicare issues

Revising the SNF PPS

Carol Carter, Bowen Garrett, and Doug Wissoker

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Comparison of current and revised PPS designs

Current PPS

Nursing component
Therapy component
+ Other component

Daily payment

Revised PPS

Nursing component
REVISED therapy component
NEW NTA component
+ Other component

Daily payment

+ **outlier payment for qualifying stays**

NTA: adding new component to PPS design would greatly increase accuracy of predicted NTA costs per day

Evaluation measure	Current design	New component
Stay analysis		
Share of costs explained	5%	23%
Share of high-cost cases predicted	25%	45%
Facility-level analysis		
Share of costs explained	13%	31%
NTA CMI coefficient	2.34	1.14

Therapy: Using patient and stay characteristics would predict therapy costs essentially as accurately as current design

Evaluation measure	Current design	Revised design
Stay analysis		
Share of costs explained	36%	34%
Share of high-cost cases predicted	32%	28%
Facility-level analysis		
Share of costs explained	38%	35%
Therapy CMI coefficient	0.79	1.05

Countering the incentive to underfurnish therapy services

- Low utilization payment adjustment that pays for low therapy provision on the basis of therapy costs
- Pay for performance using changes in functional status as a quality measure

Revised PPS would shift payments across SNFs with different case mixes

SNF group	Change in payments relative to current design
High share of rehabilitation-only RUGs	-6%
Low share of rehabilitation-only RUGs	17
High share of extensive services RUGs	15
Low share of extensive services RUGs	-4

Revised PPS would shift payments across SNF groups

SNF group	Share of cases	Change in payments relative to current PPS
Hospital-based	19%	20%
Freestanding	81	-2
Nonprofit	32	7
For profit	64	-3
Rural	21	0
Urban	79	0

Better data would enhance PPS design and evaluation

- Diagnoses and service dates on SNF claims
- Separately record only the services furnished since admission in the patient assessment
- Nursing costs in Medicare cost report